



RONYX

corporation limited

1979
Annual
Report



FLEET industries



RONARK developments



RONARK developments

■ HEAD OFFICE
■ BRANCH OFFICE



HOUSING UNITS

● CURRENT PROJECTS
● PENDING PROJECTS



DIRECTORS

Ronald K. Fraser	President Ronyx Corporation Limited
Samuel Lax	President Lax Iron & Steel Ltd., Hamilton
C. Norman Lucas	Director and Consultant Toronto
Donald G. MacDonald	Vice President and General Manager Ronark Developments, Hamilton
D. Donald C. McGeachy	Director and Consultant London
G. Philip Morphy	Corporate Vice President Ronyx Corporation Limited
J. Frederick Taylor	President J. F. Taylor & Associates Ltd., Ottawa

AUDITORS

Clarkson, Gordon & Co.
Hamilton, Ontario

BANKERS

The Toronto-Dominion Bank

TRANSFER AGENTS

Guaranty Trust Company
of Canada,
Toronto, Ontario
Vancouver, British Columbia

OFFICERS

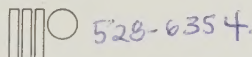
RONYX corporation limited

Ronald K. Fraser	President
G. Philip Morphy	Corporate Vice President
E. Delbert Hickey	Vice President Legal
Jean E. Spacca	Secretary



FLEET industries Manufacturing Division

Gordon B. Sampson	Vice President and General Manager
Leonard Maloney	Director of Manufacturing
John O'Brien	Manager, Marketing
Roy Dear	Treasurer and Controller



RONARK developments Real Estate Division

Donald G. MacDonald	Vice President and General Manager
Frank T. Wilkinson	Vice President Land Development and Sales
Clifford J. Bryson	Vice President Construction
William C. Hesler	Treasurer and Controller

HEAD OFFICE

20 Hughson Street South, Hamilton, Ontario

MAILING ADDRESS

P.O. Box 800, Hamilton, Ontario L8N 3M8

RONYX corporation limited
FINANCIAL HIGHLIGHTS

	Year ended September 30, 1979			Year ended September 30, 1978		
	(in thousands of dollars except for per share information)					
	Manufacturing	Real Estate	Total	Manufacturing	Real Estate	Total
SALES	\$ 20,641	\$ 11,440	\$ 32,081	\$ 14,388	\$ 13,587	\$ 27,975
NET EARNINGS (LOSS) BEFORE REFLECTING AFFILIATED COMPANIES	\$ 2,074	\$ (1,115)	\$ 959	\$ 886	\$ (390)	\$ 496
NET EARNINGS (LOSS)	\$ 2,074	\$ (1,115)	\$ 959	\$ 886	\$ (441)	\$ 445
ORDER BACKLOG	\$ 39,000	\$ 3,800	\$ 42,800	\$ 23,000	\$ 6,100	\$ 29,100
EARNINGS PER COMMON SHARE			\$.38			\$.18
WORKING CAPITAL			\$ 6,217			\$ 5,837
LAND HELD FOR DEVELOPMENT			\$ 2,658			\$ 2,646
NEW FACILITIES AND EQUIPMENT			\$ 662			\$ 107
LONG TERM DEBT			\$ 3,569			\$ 4,847
SHAREHOLDERS' EQUITY AT YEAR END			\$ 7,273			\$ 6,314
COMMON SHARES OUTSTANDING AT YEAR END			2,521,000			2,521,000
COMMON SHAREHOLDERS' EQUITY PER SHARE			\$ 2.88			\$ 2.50

PRESIDENT'S LETTER TO THE SHAREHOLDERS:

Consolidated sales for the year were \$32 million compared to \$28 million for the preceding year with net earnings of \$959,000 compared to \$445,000.

Manufacturing — FLEET INDUSTRIES

Sales increased by 43% to \$20.6 million from \$14.4 million and net earnings by 134% to \$2,074,000 from \$886,000. These results benefited from a 19% increase in plant activity and a better exchange rate on export shipments.

Customer orders received for the year amounted to \$37 million, up \$20 million over the preceding year, providing an order backlog at year end of \$39 million as against \$23 million for the prior year. New programs added during the year were for the manufacture of nacelle components for the Boeing 707 E3A for the NATO A.W.A.C. program, the ailerons and the leading edges for the deHavilland DASH 7 aircraft, and from Pratt and Whitney Aircraft of Canada Ltd. composite components for a Sikorsky helicopter.

The substantial improvement in Fleet's overall performance over the last two years, coupled with its potential prospects, comes at an opportune time to mark its fiftieth anniversary in 1980 as a pioneer in the development of the Canadian aircraft industry.

While not successful to date on 757 bids, efforts are continuing to obtain work on the new family of Boeing commercial aircraft. This will require a substantial investment in plant and advanced machine tools but, considering the long term benefit from such a program, the economics would be well justified.

Fleet has bids outstanding to the two contenders for the Canadian fighter program. All indicators pointed to a decision before the end of this month but the change in government and now an election in February, 1980, has once again deferred a critical decision for Canada and for Canadian industry.

DeHavilland has announced that it intends to introduce a new STOL aircraft, the DASH 8. Canadian subcontractors are being asked to participate on a risk sharing basis and Fleet is giving this consideration as was done on the DASH 7. This would be another substantial addition to contracts related to Fleet's bonding skills.

Contracts with Lodges 939 and 171 of the International Association of Machinists and Aerospace Workers have been settled for a two year period ending September 30, 1981. Employment at year end was 685, up 170 over one year ago and currently stands at 776.

Real Estate — RONARK DEVELOPMENTS ARKTON CORPORATION LIMITED

Sales declined to \$11.4 million from \$13.6 million and the net loss was \$1,115,000 compared to \$441,000 for the previous year.

The housing market during the last year has deteriorated seriously being affected by inflation, high interest rates, fears of a major recession and uncertainty about housing and tax legislation. It is not possible to predict a turn around with any accuracy. Carrying costs on inventory are being written off as incurred and, of the loss before income tax amounting to \$1,580,000, \$724,000 relates to losses on an office building contract still in the courts under a lien action and a provision for an apparent decline in the value of land held for development. In order to minimize the effects of reduced activity, overheads are being cut as rapidly as possible and every effort is being made to liquidate inventory.

At the end of the fiscal year, Ronark's share of the joint venture AHOP townhouses in Kitchener and Sarnia still unsold amounted to 37 units. Of these, 25 have been leased.

Two OHC Senior Citizen housing contracts totalling 141 units in Niagara Falls and Blenheim will be completed in January, 1980.

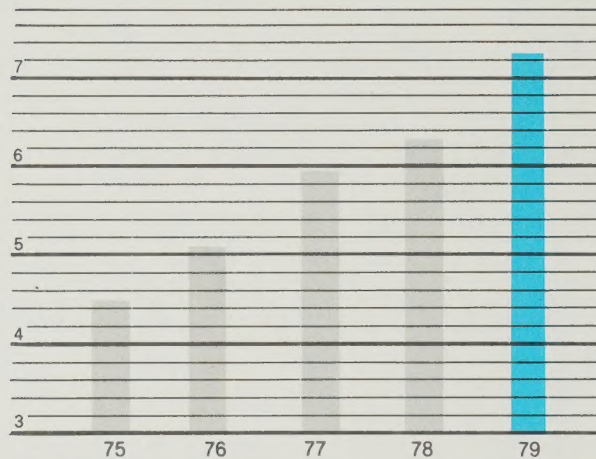
In Windsor, there are 29 units under construction with 10 sales to date. In London, in "Ronleigh Village," 26 of the first 28 single family zero lot line units have been sold. The second project of 45 units is 95% completed with 16 sales to date. In the last fiscal year, 46 rental townhouse units were completed and sold as a M.U.R.B. and currently, 70 additional units are under construction, having been presold to the same purchasing group.

Arkton Corporation Limited in Florida, has developed plans for a 71 unit waterfront apartment complex representing the final phase of "Twelve Oaks." At the present time, all preliminary approvals have been received and applications have been made for construction and long term financing. The initial offering on a preconstruction basis has been encouraging, and successful completion would make a very substantial contribution.

For Fleet, the year was challenging in preparation for a future of unprecedented growth. For Ronark, the down turn of residential real estate presented unprecedented difficulties with the immediate future being cloudy to say the least. Employees in both divisions merit an expression of appreciation and thanks from the management and the directors.

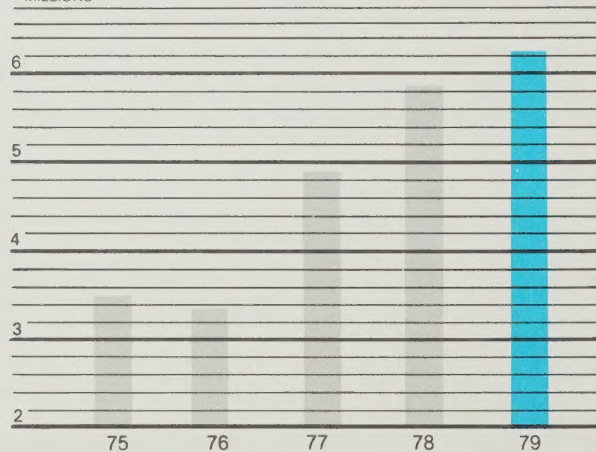
SHAREHOLDERS' EQUITY

MILLIONS



WORKING CAPITAL

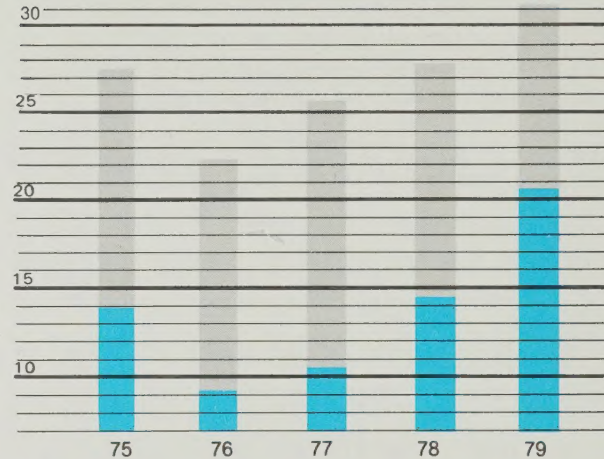
MILLIONS



SALES MANUFACTURING & REAL ESTATE

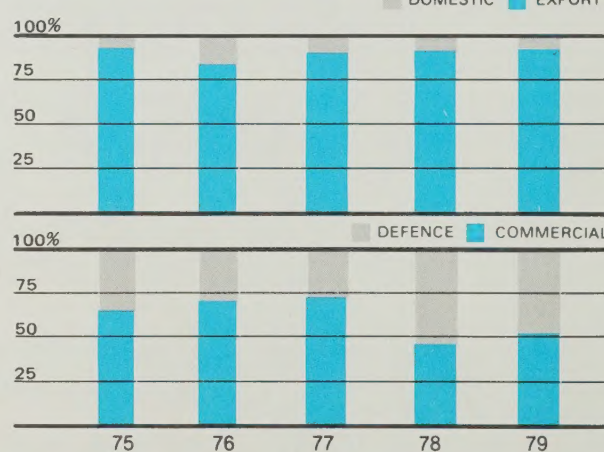
MILLIONS

RONARK FLEET



ANALYSIS OF MANUFACTURING SALES

DOMESTIC EXPORT



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1979 (with comparative figures for 1978) (in thousands of dollars)

	1979			1978		
	Manufacturing	Real estate	Total	Manufacturing	Real estate	Total
Income:						
Sales	\$ 20,641	\$ 11,440	\$ 32,081	\$ 14,388	\$ 13,587	\$ 27,975
Other income		196	196		58	58
	<u>20,641</u>	<u>11,636</u>	<u>32,277</u>	<u>14,388</u>	<u>13,645</u>	<u>28,033</u>
Costs and expenses:						
Manufacturing and construction	16,109	11,324	27,433	11,741	12,745	24,486
Administrative and general	1,404	1,098	2,502	1,039	1,067	2,106
Interest and debt expense (note below)	119	794	913	82	413	495
Income taxes (recovery)	935	(465)	470	640	(190)	450
	<u>18,567</u>	<u>12,751</u>	<u>31,318</u>	<u>13,502</u>	<u>14,035</u>	<u>27,537</u>
Income before loss of affiliated company	2,074	(1,115)	959	886	(390)	496
Loss of affiliated company					(51)	(51)
Net income (loss) for year	<u>\$ 2,074</u>	<u>\$ (1,115)</u>	<u>\$ 959</u>	<u>\$ 886</u>	<u>\$ (441)</u>	<u>\$ 445</u>
Retained earnings at beginning of year			4,074			3,629
Retained earnings at end of year			<u>\$ 5,033</u>			<u>\$ 4,074</u>
Earnings (loss) per common share	<u>\$.82</u>	<u>\$ (.44)</u>	<u>\$.38</u>	<u>\$.35</u>	<u>\$ (.17)</u>	<u>\$.18</u>
Notes: (1) Interest paid during the year on						
— long term debt	\$ 386	\$ 353	\$ 739	\$ 296	\$ 328	\$ 624
— other debt	101	621	722	122	496	618
	<u>487</u>	<u>974</u>	<u>1,461</u>	<u>418</u>	<u>824</u>	<u>1,242</u>
Less interest and debt expense above	<u>119</u>	<u>794</u>	<u>913</u>	<u>82</u>	<u>413</u>	<u>495</u>
Included in manufacturing and construction costs and inventory (note 1 (c))	<u>\$ 368</u>	<u>\$ 180</u>	<u>\$ 548</u>	<u>\$ 336</u>	<u>\$ 411</u>	<u>\$ 747</u>
(2) Depreciation	<u>\$ 205</u>	<u>\$ 41</u>	<u>\$ 246</u>	<u>\$ 140</u>	<u>\$ 57</u>	<u>\$ 197</u>

See accompanying notes to consolidated financial statements.

RONYX corporation limited

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1979

(with comparative figures at September 30, 1978) (in thousands of dollars)

ASSETS

	1979	1978
CURRENT:		
Cash and short term deposits	\$ 411	\$ 161
Condominium deposits in trust	26	129
Accounts receivable	4,941	4,468
Inventories (notes 1(c) and 2)	13,402	13,016
Mortgage receivable	942	
Prepaid expenses and other current assets	211	233
Total current assets	19,933	18,007
LAND HELD FOR DEVELOPMENT	2,658	2,646
REFUNDABLE LAND-SERVICING DEPOSIT BOND	176	176
MORTGAGES RECEIVABLE — varying maturities	71	1,112
FIXED (note 3):		
Land, buildings, machinery and equipment, at cost	5,356	4,878
Less accumulated depreciation	3,582	3,520
	1,774	1,358
DEFERRED CHARGES, less amortization (note 1(d))	6	32
On behalf of the Board:		
RONALD K. FRASER, Director	\$ 24,618	\$ 23,331
G. PHILIP MORPHY, Director		

LIABILITIES

	1979	1978
CURRENT:		
Bank indebtedness (note 4)	\$ 3,296	\$ 2,425
Accounts payable and accrued charges	4,767	3,222
Income and other taxes payable	1,162	55
Mortgages payable on land and housing units under construction	2,812	3,658
Current requirements on long term debt (note 5)	1,439	1,735
Deferred income taxes relating to current assets	240	1,075
Total current liabilities	13,716	12,170
LONG TERM DEBT (note 5)	3,569	4,847
DEFERRED INCOME TAXES relating to fixed assets	60	
SHAREHOLDERS' EQUITY:		
Capital stock—		
Common shares without nominal or par value:		
Authorized—5,600,000 shares		
Issued —2,521,000 shares	2,240	2,240
Retained earnings	5,033	4,074
	7,273	6,314
	<u>\$ 24,618</u>	<u>\$ 23,331</u>

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To the Shareholders of Ronyx Corporation Limited:

We have examined the consolidated balance sheet of Ronyx Corporation Limited and its subsidiary as at September 30, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants.

Hamilton, Canada
November 27, 1979.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1979 (with comparative figures for 1978) (in thousands of dollars)

	1979	1978		1979	1978
SOURCE OF FUNDS:			CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Operations—			Increase (decrease) in current assets—		
Net income for year	\$ 959	\$ 445	Cash and short term deposits	\$ 250	\$ (476)
Add charges to income not requiring an outlay of funds—			Condominium deposits in trust	(103)	47
Depreciation	246	197	Accounts receivable	473	(434)
Amortization of deferred charges	26	26	Investment in affiliated companies		(24)
Deferred income taxes	60		Inventories	386	1,917
	<u>1,291</u>	<u>668</u>	Mortgage receivable	942	
Decrease in mortgages receivable	1,041		Prepaid expenses and other current assets	(22)	74
Land to be developed in the ensuing year	(12)	835		<u>1,926</u>	<u>1,104</u>
Increase in long term debt		585			
	<u>2,320</u>	<u>2,088</u>			
APPLICATION OF FUNDS:					
Increase in mortgages receivable		968	Increase (decrease) in current liabilities—		
Increase in refundable land-servicing deposit ..		13	Bank indebtedness	871	111
New facilities and equipment	662	107	Accounts payable and accrued charges	1,545	77
Decrease in long term debt	1,278		Income and other taxes payable	1,107	(39)
	<u>1,940</u>	<u>1,088</u>	Mortgages payable on land and housing units under construction	(846)	(87)
			Current requirements on long term debt	(296)	(158)
INCREASE IN WORKING CAPITAL	380	1,000	Deferred income taxes relating to current assets	(835)	200
				<u>1,546</u>	<u>104</u>
WORKING CAPITAL BEGINNING OF YEAR	<u>5,837</u>	<u>4,837</u>	INCREASE IN WORKING CAPITAL	<u>\$ 380</u>	<u>\$ 1,000</u>
WORKING CAPITAL END OF YEAR	<u>\$ 6,217</u>	<u>\$ 5,837</u>			

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1979

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles consistently applied. They are based on information available to November 27, 1979 and are within the framework of the accounting policies summarized in note (1).

(1) Accounting policies —

(a) Basis of consolidation:

The consolidated financial statements as at September 30, 1979 include the accounts of the company's wholly-owned subsidiary, Arkton Corporation Limited.

(b) Revenue recognition:

Gross profit on contracts (including programs specifying anticipated requirements but without firm commitments) is recorded as follows:

- (i) On manufacturing contracts or programs extending over one year billable at a fixed price per unit, the proportion of total estimated gross profit for the entire contract or program applicable to the number of units shipped based on the average unit cost for each program estimated to final completion.
- (ii) On other manufacturing contracts completed within the year the actual gross profit applicable to units shipped.
- (iii) On real estate construction contracts, the percentage of completion method. Gross profit on speculative housing construction is recorded as sales are completed.

Estimated losses on contracts are recorded when they become known. In the case of contracts extending over one year revisions in cost and profit estimates are reflected in the accounting period in which the relevant facts become known.

(c) Inventories and land held for development:

Manufacturing division —

Work in progress inventories are valued at the lower of cost and realizable value with materials and supplies at the lower of average cost and market.

Inventory costs for manufactured products include production financing and tooling costs incurred less costs allocated to delivered items and reduced, where applicable, to realizable value after giving effect to the estimated costs of completion.

In accordance with industry practice, inventoried costs include amounts relating to programs and contracts whose operating cycles extend beyond one year and are classified as current assets.

Real estate division —

The costs in inventory and land held for development for the real estate division include carrying charges on land and housing under construction such as interest on interim and long term financing, real estate taxes and legal fees until recorded costs approximate realizable values. When it becomes apparent that realizable values are less than recorded costs, appropriate provisions are made in the company's accounts.

(d) Deferred charges:

The discount arising from the issue of a 12¼% mortgage on the Florida property at less than face value is being amortized over the life of the mortgage and at September 30, 1979 the unamortized value is \$6,000.

RONYX

(e) Fixed assets:

Additions to fixed assets are recorded at cost. Depreciation is provided at rates which are expected to amortize the assets over their estimated useful life on the diminishing balance basis as follows:

Buildings	5% or 10%
Machinery, furniture and equipment	20%
Automotive equipment	30%

(f) Income taxes:

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in prepaid or deferred taxes. The provision for income taxes is reduced by the statutory deduction of a 3% inventory allowance in the manufacturing division.

(g) Pension plans:

The total unamortized past service costs under pension plans of the company which are not reflected in the accompanying financial statements, are being amortized and charged to operations over 15 years (note 6).

(h) Income statement segmentation:

Corporate costs, which are relatively minor in amount, are allocated equally to the two divisions. All other costs are charged directly to the division to which they apply.

(i) Foreign currency translation:

The company uses the temporal method of foreign currency translation such that:

(a) Cash and amounts receivable or payable are translated at the rate of exchange at September 30, 1979.

(b) Assets and liabilities carried at past prices are translated at historical rates and items carried at current prices are translated at the year-end rate.

(c) Revenue and expense items are translated at the rate in effect at the date of the transaction.

Exchange gains and losses are included in the determination of net income for the year.

(2) Inventories —

Inventories consist of the following:

	1979	1978
	(in thousands of dollars)	
Manufacturing division —		
Work in progress:		
Commercial contracts	\$ 4,082	\$ 2,685
Defence contracts	3,168	3,158
Raw Materials and supplies	3,126	1,393
	10,376	7,236
Less progress payments	2,544	2,351
	7,832	4,885
Real estate division —		
Land and housing under construction	4,638	6,874
Land for resale and under development	932	1,257
	5,570	8,131
	<u>\$ 13,402</u>	<u>\$13,016</u>

Manufacturing division —

Under defence contracts the title to inventories is vested in the appropriate governments to the extent of the progress payments received.

Real estate division —

The carrying value of the land and housing under construction in Florida is \$1,300,000 at September 30, 1979 and the balance is in Ontario.

(3) **Fixed assets —**

Fixed assets, which primarily relate to the manufacturing division, consist of the following:

	1979			1978
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Land (including approximately 152 acres in Fort Erie)	\$ 53		\$ 53	\$ 53
Buildings	1,969	\$ 913	1,056	748
Machinery and equipment	3,334	2,669	665	557
	<u>\$ 5,356</u>	<u>\$ 3,582</u>	<u>\$ 1,774</u>	<u>\$ 1,358</u>

(4) **Bank indebtedness —**

Bank indebtedness includes a loan to the manufacturing division of \$1,395,000 with interest at prime plus 1% which is repayable on demand. As security the company has given the bank a \$3,000,000 debenture with a first floating charge on all company property and assets and has pledged accounts receivable and inventories.

(5) **Long term debt —**

The long term debt consists of the following:

	1979	1978
	(in thousands of dollars)	
Manufacturing division —		
8% mortgage debenture payable to Ontario Development Corporation secured by specific mortgage on the land and buildings, due July 15, 1980	\$ 35	\$ 75
Term bank loan, with interest based on 1% over the prime bank rate, for the financing of the Lockheed TriStar program, against which the company has provided as security a \$3,000,000 debenture payable on demand with a second floating charge on all company property and assets and a second pledge of accounts receivable and inventories. This loan (refinanced in 1979) is repayable in quarterly instalments of \$125,000	2,750	3,200
Other		9
	<u>\$ 2,785</u>	<u>\$ 3,284</u>

Forward

	Forward	1979 (in thousands of dollars)	1978
Real estate division —			
Ronyx Corporation Limited:			
9¼% mortgage maturing March 28, 1995, payable at \$614 per month including interest	\$	64	\$ 66
10¼% mortgages payable on land held for development maturing October 1, 1980 (refinanced in 1979)		960	960
Note payable June 30, 1981 with interest at 1½% over the prime rate on commercial loans commencing January 1, 1979		186	297
Note payable with interest at 8½% per annum, blended payments of principal and interest of \$15,860 monthly commencing April 15, 1980		626	626
Arkton Corporation Limited —			
12¼% mortgage on Florida property repayable December 31, 1979 (partial discharges are obtainable to release individual units as they are erected and sold at the rate of \$12,000 per unit).		337	796
Debenture payable December 31, 1980 with interest at 4% over prime bank rate		50	500
Other			53
		<u>2,223</u>	<u>3,298</u>
		5,008	6,582
Less current requirements		1,439	1,735
		<u>\$ 3,569</u>	<u>\$ 4,847</u>

A condition of the term bank loan prohibits the payment of dividends by the company without the consent of the bank.

The long term debt repayment requirements for the fiscal years 1980 to 1984 are as follows:

1980 — \$1,439,000; 1981 — \$1,687,000; 1982 — \$581,000; 1983 — \$504,000; 1984 — \$504,000.

These repayment requirements include an estimate of principal pre-payments which will be made to obtain partial discharges of mortgages to provide clear title for individual units as they are erected and sold.

(6) Pension plans —

The unamortized past service costs not reflected in the accompanying financial statements amounted to \$1,796,000 at September 30, 1979 (based on estimates by independent actuaries). Past service costs charged to income in 1979 amounted to \$227,000.

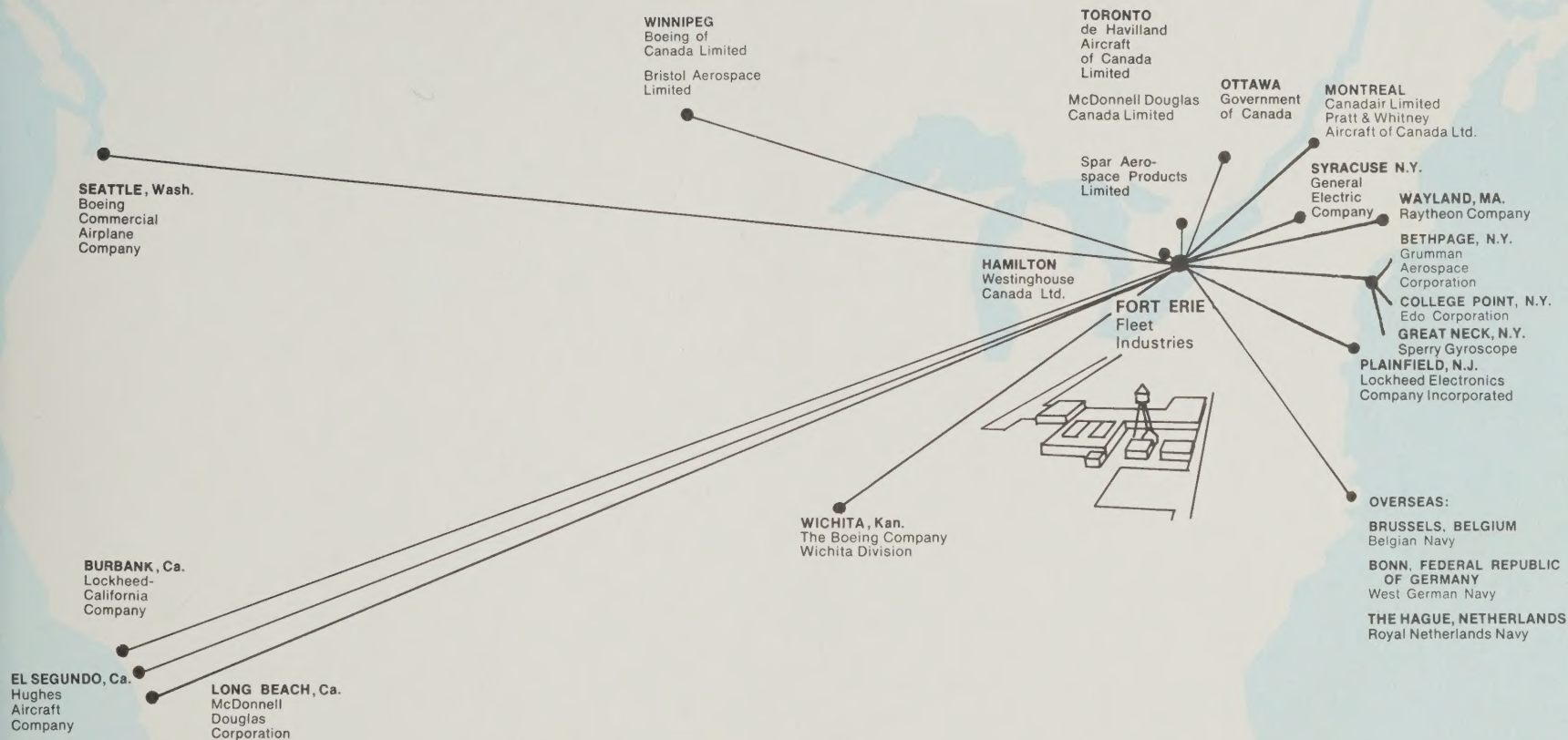
(7) Statutory information —

The aggregate direct remuneration paid or payable by the company and its consolidated subsidiary to the directors and senior officers of the company as defined by The Business Corporations Act of Ontario amounted to \$289,000 in fiscal 1979.



FLEET industries

SUPPLIERS OF MAJOR COMPONENTS FOR:



RONYX corporation limited

divisions

FLEET industries—transportation, communications

RONARK developments—real estate development